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Message Text

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53
ORIGIN OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 AID-05 L-03 XMB-02 AGR-05

TRSE-00 CIAE-00 INR-07 NSAE-00 /046 R

DRAFTED BY OPIC/F BLBOSTWICK
APPROVED BY EB/IFD/ OIA:RJSMITH
OPIC/F:JKCULMAN
NEA/DAB:GJONES
EB/IFD/OIA:DHSTEBBING
---------- 113626
P 211812Z NOV 75
FM SECSTATE WASHDC
TO AMEMBASSY ISLAMABAD PRIORITY
INFO AMCONSUL KARACHI PRIORITY
AMCONSUL LAHORE PRIORITY

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E.O. 11652:N/A

TAGS: EFIN

SUBJECT: OPIC LOCAL CURRENCY LOANS TO PREMIER TOBACCO
AND RAFHAN MAIZE

REF: ISLAMABAD 10207

1. STATE BANK HAS INTRODUCED RINGER IN THEIR NON-OBJECTION OF PREMIER TOBACCO LOAN. THIS IS, PROVISION THAT INTEREST ON LOAN BE SUBJECT TO PAYMENT OF PAKISTANI INTEREST TAX. THIS PROVISION UNACCEPTABLE TO OPIC, AND WITHOUT PRECEDENT FOR PREVIOUS COOLEY LOANS. OPIC OFFICER BOSTWICK RECALLS THAT THIS ISSUE WAS SPECIFICALLY ADDRESSED WITH SIRAJ YUSUF KHAN IN AUGUST AT WHICH TIME BOSTWICK STATED THAT OPIC, AS U.S. GOVERNMENT AGENCY, WAS NOT SUBJECT TO WITHHOLDING TAX ON INTEREST.

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2. UPON ADVICE OF PAKISTAN EMBASSY ECONOMIC MINISTER MUFTI

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THAT THESE TWO LOANS HAD BEEN APPROVED, OPIC PRESIDENT MAYS HAD OPIC ANNUAL REPORT REVISED TO INCLUDE THESE TWO LOANS. CURRENT STATE BANK INTEREST WITHHOLDING PROVISION AND LACK OF ANY NOTIFICATION ON RAFHAN MAIZE LOAN SERIOUS IMPEDIMENTS TO CLOSING THESE LOANS.

3. WE WOULD APPRECIATE EMBASSY RAISE WITHHOLDING TAX ISSUE AT HIGHEST POSSIBLE LEVEL BETWEEN EMBASSY AND MINISTRY OF

FINANCE TO RESOLVE THIS MATTER. EMBASSY MIGHT WISH TO POINT OUT THAT OPIC AS INTEGRAL PART USG HAS NOT PAID WITHHOLDING TAX ANYWHERE ON EITHER COOLEY LOANS OR LOANS FROM ITS DIRECT INVESTMENT FUND. FURTHER THAT OPIC IS ADMINISTERING COOLEY LOAN PROGRAM ON BEHALF OF AID WHICH WAS NOT SUBJECT TO WITHHOLDING TAX.

4. PHILIP MORRIS PURSUING MATTER WITH GOP THROUGH ADENWALA OF PREMIER. LATTER CONSULTED WITH PREMIER'S AUDITOR FERGUSON WHO ADVISED PREMIER THAT WITHHOLDING TAX NOT PAYABLE PER ARTICLE XIV(2) OF THE AVOIDANCE OF DOUBLE TAXATION AGREEMENT WITH USG.

5. WOULD APPRECIATE STATUS STATE BANK APPROVAL RAFHAN MAIZE LOAN. DECONTROL FOLLOWING NOVEMBER 20, 1976. KISSINGER

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To: ISLAMABAD
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